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October 27, 2011

The Honorable Rick Murphy, Chair  
Joint Legislative Audit Committee

The Honorable Carl Seel, Vice Chair  
Joint Legislative Audit Committee

Dear Senator Murphy and Representative Seel:

Our Office has recently completed a 12-month followup of the Madison Elementary School District's implementation status for the 12 audit recommendations presented in the performance audit report released in July 2010. As the enclosed grid indicates:

- 8 recommendations have been implemented; and
- 4 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the District on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Ross Ehrick, CPA  
Director, Division of School Audits

RE:bl  
Enclosure

cc: Dr. Tim Ham, Superintendent  
Governing Board  
Madison Elementary School District

# MADISON ELEMENTARY SCHOOL DISTRICT

## Auditor General Performance Audit Report Issued July 2010

### 12-Month Follow-Up Report

| Recommendation   | Status/Additional Explanation  |
|--|--|
| <b>CHAPTER 1: Administration</b>   |  |
| <p>1. The District should review its administrative positions and the related duties and salaries to determine how administrative costs can be reduced without negatively impacting student achievement.</p>                                     | <p><b>Implementation in process</b><br/> District officials reviewed administrative staffing levels and eliminated one position in fiscal year 2011. However, this reduction will have minimal impact on Madison ESD's higher administrative costs, which were about \$675,000 higher than comparable districts' at the time of the audit. Auditors will review fiscal year 2011 administrative staffing levels and costs during the 18-month followup when final year-end information is available.</p> |
| <p>2. The District should review access controls over its accounting system and develop guidelines to determine adequate user access.</p>  | <p><b>Implemented at 12 months</b></p>   |
| <p>3. The District should improve password controls over its accounting system by requiring user-defined passwords that are changed periodically.</p>  | <p><b>Implemented at 12 months</b></p>   |
| <p>4. The District should improve procedures over the rental of facilities, ensuring renters are charged the correct amount, charges are collected, and in-kind donations are properly documented and adequately cover facility rental fees.</p> | <p><b>Implemented at 6 months</b></p>  |
| <b>CHAPTER 2: Student transportation</b>   |  |
| <p>1. The District should limit the amount of nonproductive time for which it pays its bus drivers and bus aides, or alternatively find other duties for these individuals to perform when they are not driving or riding.</p>                   | <p><b>Implemented at 12 months</b><br/> The District has implemented additional controls over work hours to help ensure that bus drivers and bus aides are paid only for productive time. This included employing some bus drivers on a part-time basis. The District's transportation program salary and benefit costs have decreased by \$81,000, despite transporting students more miles and operating additional routes.</p>  |
| <p>2. To aid in evaluating the efficiency of its transportation program, the District should develop and monitor performance measures such as cost per mile and cost per rider.</p>  | <p><b>Implemented at 12 months</b></p>   |

## Recommendation

## Status/Additional Explanation

3. The District should ensure it accurately calculates and reports the data used for state transportation funding.

### Implementation in process

The District has improved its process for tracking transportation mileage for reporting purposes. However, the District still misreported its fiscal year 2011 miles by under-reporting 3,800 route miles. District officials acknowledged human error caused the mistake and, after the error was identified by auditors, the District filed a corrected route mileage report with the Arizona Department of Education. Auditors will review and determine if the District's fiscal year 2012 route miles are properly reported during the 18-month followup.

4. The District should develop a process to ensure bus drivers maintain current certifications in accordance with DPS' Minimum Standards.

### Implemented at 6 months

## CHAPTER 3: Plant operation and maintenance

1. The District should review its individual schools' square footage usage, as well as the necessity of leasing additional facilities, and determine ways to reduce identified excess space without negatively impacting student achievement.

### Implementation in process

The District operated its schools at 73 percent of capacity in fiscal year 2008, the year of the audit, leaving it with enough space for an additional 1,790 students. In August 2011, despite having existing capacity for about 1,340 students, the District opened a new 650-student-capacity school. The District believes that the growth of its traditional academy and the popularity of other programs will continue to increase enrollment in future years. Auditors will continue to review the District's capacity utilization.

## CHAPTER 4: Proposition 301 monies

1. The District should ensure that it pays eligible employees only for goals achieved in accordance with its Governing Board-approved performance pay plan.

### Implemented at 6 months

## CHAPTER 5: Classroom dollars

1. The District should classify all transactions in accordance with the Uniform Chart of Accounts for school districts.

### Implemented at 12 months

Per auditor review of a sample of fiscal year 2011 expenditures, the District is now correctly coding the previously misclassified types of expenditures identified by auditors in the July 2010 audit report.

**Recommendation****Status/Additional Explanation**

2. The District should evaluate costs in noninstructional areas to determine if savings can be achieved and if some of these monies can be redirected to the classroom.

**Implementation in process**

The District has taken some minor measures to reduce operational costs, but it is unlikely these changes will have a significant impact on the District's much higher noninstructional costs. Auditors will review this recommendation again at the 24-month followup when fiscal year 2012 year-end records are available.

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